# MONTHLY REVIEW

*Of Industrial and Financial Conditions in the New England District*
*By Frederic H. Curtiss, Chairman and Federal Reserve Agent*

FEDERAL RESERVE BANK OF BOSTON

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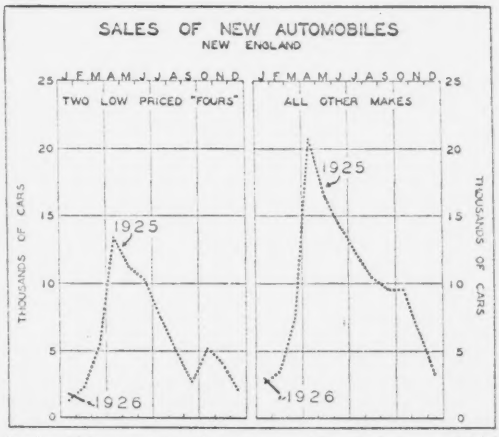
## THE SITUATION

The combination of two severe snowstorms in February and unfavorable weather in March have had a bad effect on retail trade in New England. Consequently, merchants have kept their orders for goods at a minimum. Representative department stores reported that their February sales were less than a year ago, and sales during the first three weeks of March were barely larger than in the corresponding period of 1925.

Retail sales of new automobiles to New England consumers also have been sharply curtailed by the severe winter weather. Distribution in February of both low-priced and high-priced cars was but slightly more than half the sales of February, 1925, and about two-thirds of the sales in January, 1926.




During February sales of new automobiles, both low and high-priced, throughout New England were in smaller volume than in February, 1925. The storm during the early part of the month was probably a material factor in reducing sales.

*Source of data--Direct Mail Service, Inc.*

The key industries of New England continue to report a relatively small volume of new business, considering the prevailing season. March is usually the month of largest production of shoes in the spring, and, although there has been a sharp rise in output since December, production has been considerably less than in the first quarter of any of the three preceding years. In fact, shoe production the country over is relatively low.

The cotton textile industry is another major industry with current orders and output at a low level. The consumption of raw material by New England mills during both January and February was less than a year ago.

The woolen industry reports relatively the lowest rate of production of any of the three leading industries. The recession in activity is not confined in this case to this district, but is widespread. One favorable factor in the woolen industry is that daily average consumption of raw material by the mills increased in February, as compared with January, whereas usually there is a decline.

Prospective activity in the building industry of New England is not as favorable as it was a few months ago, due to a sharp decline in the volume of contracts awarded for new construction. In February, perhaps due to the severe weather, fewer contracts were awarded than a year ago or in the preceding month of January. A decline from January to February is contrary to the usual seasonal experience. Furthermore, in each of the first three weeks of March fewer contracts were awarded than a year ago.

Wholesale commodity prices were decidedly weak during February and the early part of March, following a period of approximate stabilization in January.

Money rates in March were under the influence of movements of funds in connection with the payment of income taxes and Treasury operations. Money rates are usually at the highest point of the spring season during March, while April, May and June are typical months of easing rates.

## MONEY AND BANKING

Money rates during March are usually at the highest point of the spring season. Commercial deposits of New England member banks, as a general rule, decline almost steadily from the early part of January until the latter part of March. Total loans, on the other hand, usually remain at a fairly constant level in February and March. During the first three months of this year, however, the demand for loans at representative New England member banks has declined, coincidently with a decrease in deposits.

The number of commercial failures in New England continues unusually large. There has been a seasonal decline since the large numbers recorded in December and January, to be sure, but the decline is no more than average.

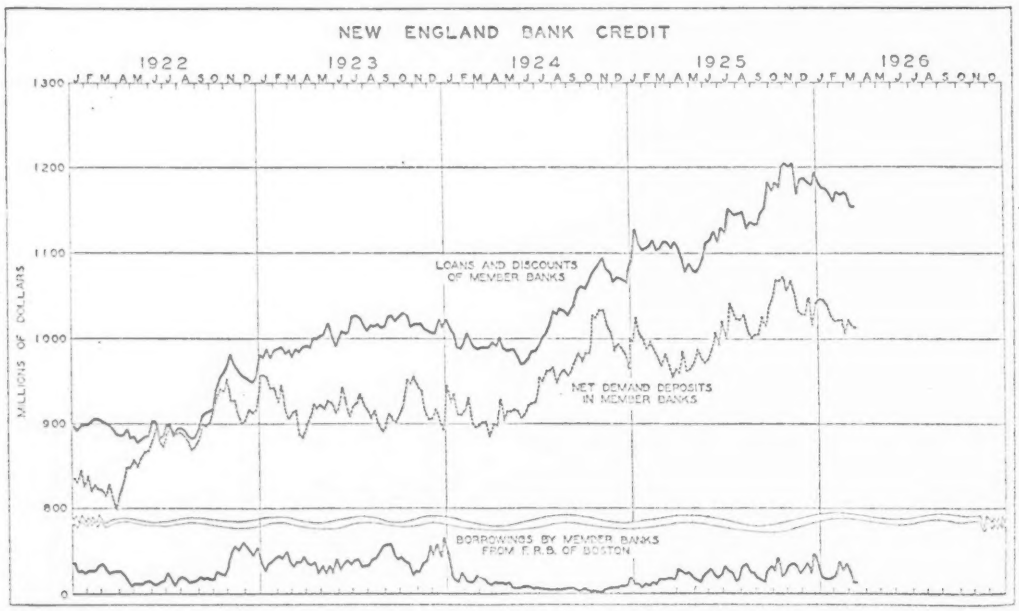
MONEY RATES

| | | Feb. 20, 1926 | March 20, 1926 |
|---|---|---|---|
| Call Money | Boston | 4½% | 4½% |
| Commercial Paper | Boston | 4¼ | 4¼ |
| Bankers' Acceptances | Boston | 3⅝ | 3⅝ |
| Year Collateral Loans | Boston | 4⅝ | 4⅝ |
| Rediscount Rate | Boston | 4 | 4 |
| Call Money Renewal | New York | 4¾ | 4¼ |
| Commercial Paper | New York | 4¼ | 4⅜ |

Another aspect of the relationship between loans and net demand deposits is the relative magnitudes of these items. The loans are customarily larger than demand deposits, to be sure, but not as much so as has been the case for over a year. This is a reflection of the high rate of business activity and the desire for high rates of turnover of working capital, as well as of merchandise. Larger proportions of the available "lines of credit" are being used than usual, or, to put it another way, smaller deposit margins are being maintained against loans.

Bond prices rose sharply from early last autumn until the third week of February, when they were at the highest point in a number of years. In the succeeding two weeks, however, there was a slight reaction.

One of the outstanding features of the member bank situation in March was the large volume of Government deposits during the middle of the month, coinciding with the payment of income taxes and Treasury operations in connection with the March 15 issue of Treasury bonds. Government deposits were used by the member banks to


NEW ENGLAND BANK CREDIT
1922
1923
1924
1925
1926
J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D
1300
1200
1100
1000
900
800
0
MILLIONS OF DOLLARS
LOANS AND DISCOUNTS OF MEMBER BANKS
NET DEMAND DEPOSITS IN MEMBER BANKS
BORROWINGS BY MEMBER BANKS FROM F.R.B. OF BOSTON

The usual seasonal decline in the volume of net demand deposits at New England member banks was present during January, February and March. Accompanying this was a reduction in the total loans of member banks. Although borrowings by the member banks from the Federal Reserve Bank increased markedly during February, they were reduced in the middle of March to their lowest point in over a year. Chart is based on reports of banks in nine New England centers.

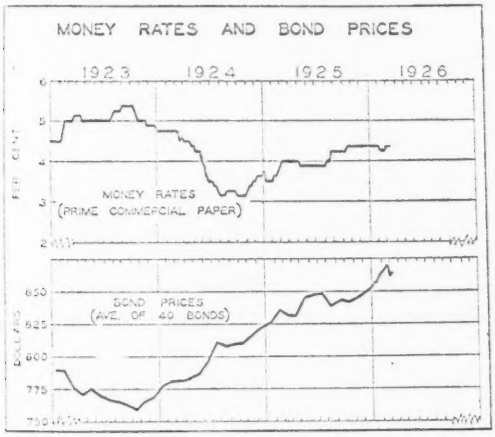
Treasury notes, with the result that the investment holdings of the representative New England member banks were larger in the week ending March 17 than ever before. In fact, total deposits rose to a new high level. These Government deposits are, of course, a temporary factor.

"Commercial" loans of member banks increased slightly during the first two weeks of March, in accordance with the usual seasonal trend. This class of loans remains in considerably smaller volume than the record volume reached last October. Loans secured by stocks and bonds declined sharply during the first two weeks of March, to the lowest point reached in five months.

The volume of reserve bank credit in use through the Federal Reserve Bank of Boston declined sharply in March, inasmuch as both open market operations and loans to member banks were reduced. Loans to member banks on March 17 were less than at any time in over a year, and only half as large as in the second week of February this year. Holdings of acceptances continued to decline, but at a far less rapid rate than in February. The net result of the reduction in acceptance holdings, however, has been a halving of the total held in the middle of January. Acceptance holdings remained nearly twice as large as loans to member banks.

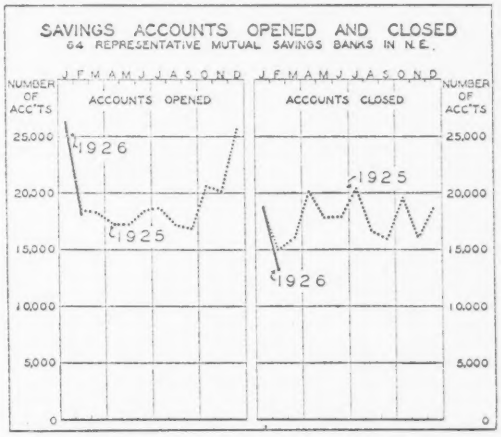
Holdings of Government securities continue at a negligible amount, being $6,554,000 against loans to member banks of $23,734,000 and acceptance holdings of $10,506,000. Coincident with a decline in acceptance holdings, there has been an offsetting increase in the reserves of the Federal Reserve Bank of Boston. These had reached the lowest point in several years during the latter part of January, when acceptance holdings were the largest in a considerable period.

Although both the number of accounts opened and those closed in the mutual savings banks in New England usually decline in February, as compared with January, in both cases the decline this year was more than average. While more savings accounts were opened in January this year than last year, fewer were opened in February than a year ago. As an offsetting factor, the number of accounts closed declined even more rapidly. In fact, fewer accounts were closed in February this year than in any month in three years. The excess of accounts opened, as compared with accounts closed, has been larger during the first two months of this year than in the corresponding period a year ago, but less than in the first two months of either 1923 or 1924. As a general rule, the surplus of accounts opened, as compared with accounts closed, is at its lowest point in midsummer. The actual amount on deposit at the end of February was the largest on record, but it was only 4.8 per cent larger than a year ago. The average rate of interest paid by mutual savings banks is approximately 4.6 per cent (4½ per cent compounded semi-annually).




The slight decline in commercial paper rates late in February was recovered in the first week of March. Rates continued steady during the following two weeks. Bond prices during early March were below the February average.

*Sources of data—Federal Reserve Bank of New York and New York "Times."*




Although during February there were fewer accounts opened and closed than a year ago in the average savings bank, there was a larger net excess of accounts opened than in February a year ago.

## RETAIL AND WHOLESALE TRADE

During the last week of February and the first week of March, retail trade in the department stores of Boston was of slightly larger volume than during the corresponding weeks of last year, but in the second and third weeks of March it was smaller. The volume of sales of these stores in both March, 1925, and March, 1924, was exceptionally low. The early date of Easter (April 4) brings the Easter shopping season earlier than usual this year, and makes it an important factor in March trade.

SALES CONDITIONS

| | Feb., 1926 compared with Feb., 1925 | Jan.-Feb., 1926 compared with Jan.-Feb., 1925 |
|---|---|---|
| Connecticut Department Stores | — 2.9% | — 0.8% |
| Maine Department Stores | — 4.2 | — 1.0 |
| Massachusetts Department Stores | — 3.6 | + 7.3 |
| Rhode Island Department Stores | — 1.4 | + 1.5 |
| Vermont Department Stores | — 5.5 | — 1.3 |
| Boston Department Stores | — 3.0 | + 7.9 |
| Boston Women's Apparel Shops | — 2.5 | + 2.8 |
| New Haven Department Stores | — 5.9 | — 1.4 |
| Providence Department Stores | — 1.5 | + 2.5 |
| N. E. Department Stores | — 2.9 | + 6.9 |
| N. E. Wholesale Grocers | — 8.0 | —10.9 |
| N. E. Wholesale Shoe Concerns | +12.6 | — 7.0 |

The three per cent decline in February sales of the average New England department store brought that month's sales below both February, 1925 and 1924, since February sales of last year were relatively low, the average store having reported a decline from February, 1924.

The volume of sales of wholesale shoe concerns during February was greater than during February of either of the two preceding years, whereas sales of the average wholesale grocery concern were less than in February, 1925 or 1924. In the wholesale shoe trade, sales of rubber footwear showed a very large increase over February, 1925, while sales of leather footwear were reported as being less than in February a year ago.

CREDIT CONDITIONS

Percentage of Open Accounts Outstanding at the First of February collected during February

| | 1925 | 1926 |
|---|---|---|
| Boston Department Stores | 46.0% | 46.2% |
| Boston Women's Apparel Shops | 45.6 | 41.8 |
| New Haven Department Stores | 57.0 | 50.8 |
| Providence Department Stores | 56.9 | 54.7 |
| New England Department Stores | 47.8 | 47.5 |
| N. E. Wholesale Grocery Concerns | 65.2 | 62.4 |
| N. E. Wholesale Shoe Concerns | 31.5 | 39.1 |

Although instalment business during February continued to show large increases over a year ago in the majority of the stores, the rate of collections on this type of account was not as rapid as in February last year. Collections of regular charge accounts in most cases were made at practically the same rate as a year ago.

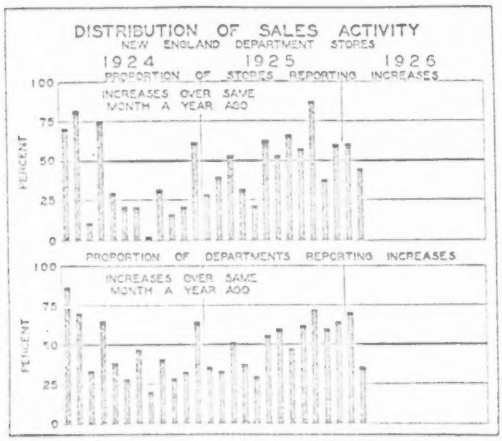
SALES AND STOCKS BY DEPARTMENTS

New England Department Stores

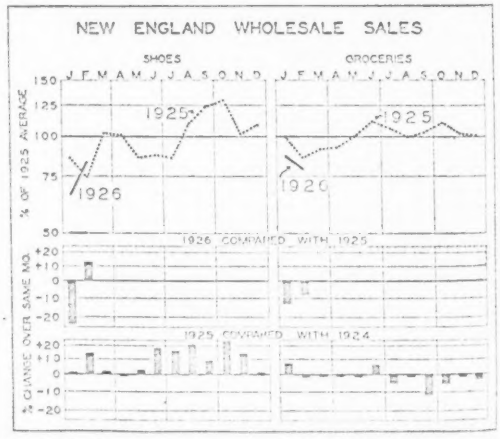
January-February, 1926, compared with January-February, 1925

| | Sales | Stocks |
|---|---|---|
| Silk and Velvet Dress Goods | + 5.0% | — 0.8% |
| Woolen Dress Goods | —20.4 | —19.0 |
| Cotton Dress Goods | — 6.8 | —11.2 |
| Silverware and Jewelry | +11.9 | — 5.4 |
| Men's Clothing | +16.0 | — 6.4 |
| Men's Furnishings | +13.0 | — 1.5 |
| Boys' Wear | + 0.0 | + 2.1 |
| Women's Ready-to-Wear | — 5.4 | — 4.0 |
| Misses' Ready-to-Wear | + 8.6 | — 1.8 |
| Juniors' and Girls' Ready-to-Wear | + 8.4 | + 5.6 |
| Millinery | —12.0 | — 5.4 |
| Women's and Children's Gloves | + 8.3 | — 3.0 |
| Corsets and Brassieres | — 3.6 | + 3.1 |
| Women's and Children's Hosiery | + 2.0 | + 2.5 |
| Knit Underwear, inc. Glove Silk | +10.2 | + 1.3 |
| Silk and Muslin Underwear | + 0.1 | + 1.8 |
| Women's and Children's Shoes | + 6.0 | — 3.1 |
| Furniture | +14.5 | +10.0 |

Corresponding to the decrease in total sales during February, only 36 per cent of the departments of the stores showed increases over February, 1925. Among the departments showing large increases were leather goods, men's furnishings, gloves, knit underwear, both men's and women's shoes, and luggage.




Although 45 per cent of the New England department stores reported increases in their sales over February last year, only 36 per cent of the departments in the stores reported increases in sales.




Wholesale shoe sales were larger during February than in February last year or the year before; grocery sales, on the contrary, were less than during February of either year.

# NEW ENGLAND MARKETS

NEW ENGLAND BUSINESS ACTIVITY
Per Cent of 1923-1925 Monthly Average

| | 1926 | 1925 | 1924 |
|---|---|---|---|
| [illegible] | .... | 106.5 | 100.9 |
| [illegible] | 103.5 | 103.9 | 102.5 |
| [illegible] | 104.3 | 103.8 | 103.9 |

The volume of general business, measured by check payments, was above average during the first two and one-half months of this year in most of the New England centers listed on the chart below. As has been noted for some time past, cities having diversified industries and those which are largely metal centers continue to report the largest increases over the average of the past three years. Considerable expansion has also developed recently in check payments at local shoe manufacturing centers.

*Boston:*—Employment situation fair. Proportion of workers on full time at reporting factories increased substantially in February over January. Business in wool, leather and cotton comparatively quiet. Late in February and early in March volume of retail trade reported fair.

*Fall River:*—Local mills reported to be operating at a much higher rate in February than in February last year. Volume of print cloth sales continues comparatively small.

*Hartford:*—General business and industrial situation continues good. Most industrial plants on full time. Very little unemployment evident.

*Holyoke:*—Volume of general business, measured by check payments, below average during first ten weeks this year. Small improvement in industrial situation noted during February.

*Lawrence:*—Improvement noted in industrial conditions in February. Proportion of workers on full time was the largest for a long period.

*Lynn:*—Volume of business, measured by check payments, substantially above average so far this year. Most shoe factories operating full time during March.

*Manchester:*—Better industrial conditions gradually developing. Improvement noticeable in cotton textile plants.

*New Bedford:*—Volume of general business in recent weeks below average. Output of cloth and yarn mills being curtailed slightly. Employment situation on the whole is good.

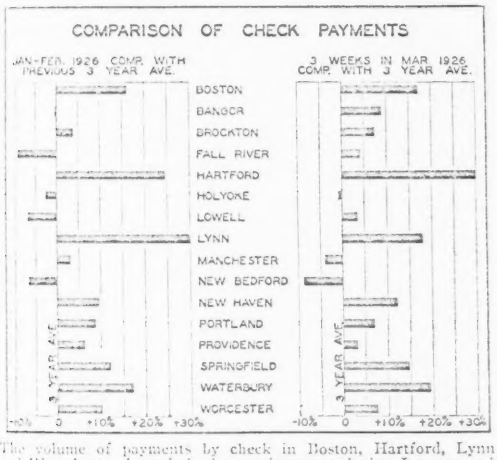
*New Britain:*—Business situation good. Practically all manufacturing plants on full time. Total number of workers in manufacturing concerns slightly greater in February than a year previous.

*New Haven:*—General employment situation good. Practically all manufacturing plants operating full time. Volume of retail trade in February relatively large.

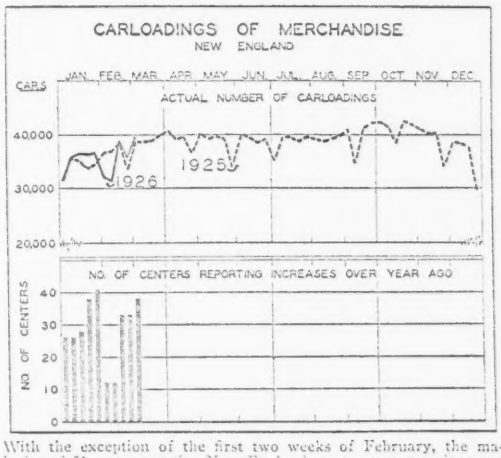
*Portland:*—Industrial situation fair. Most manufacturing plants operating with reduced forces. Building industry relatively active.

*Providence:*—Volume of general business continues above average. During February retail trade relatively better than in the average New England city.

*Springfield:*—Factories reported considerable increase in employment in February over January. Most manufacturing plants operating full time. Volume of business, measured by check payments, continues above average.




The volume of payments by check in Boston, Hartford, Lynn and Waterbury showed the largest increases during January and February and the first three weeks of March. The March increase for Hartford was 31.8 per cent.




With the exception of the first two weeks of February, the majority of 51 representative New England centers report an increase in the total carloadings over a year ago.

*Sources of data—American Railway Association and N. Y., N. H. & H. and B. & M. Railroads.*

## COMMODITY PRICES AND INDUSTRIAL CONDITIONS

*Building:*—The volume of contracts awarded in New England during the first three weeks of March increased seasonally, but the total was considerably less than that reported for the corresponding period of 1925. Contracts awarded during February were not only seasonally low, being 23 per cent less than in January, but they totaled 19 per cent less than the figures of February last year. Total contracts awarded in 36 eastern states during February showed a decrease of 16 per cent from January, largely a seasonal decline, but the total was 25 per cent above February, 1925.

*Coal:*—Production of anthracite coal had reached practically normal proportions by mid-March. Output of bituminous coal has declined during the past month, and production of coke has been curtailed considerably since the settlement of the anthracite strike. Receipts of anthracite coal in New England during the first half of March were up to the average for this month, and total receipts of both hard and soft coal in the first week of March were the largest recorded since August, 1923.

*Commodity Prices:*—Wholesale commodity prices have in recent weeks continued the decline evident during the earlier part of this year. Some slight tendency toward stabilization was noted in the first two weeks of March, but subsequently prices again declined in the third week of the month, when the average price of 20 basic commodities was nine per cent below the figure of the corresponding time a year previous.

Price declines continue in the majority in Dun's list of wholesale quotations. The accompanying chart shows a period since the middle of January, during which the number of declines has been consistently in excess of advances.

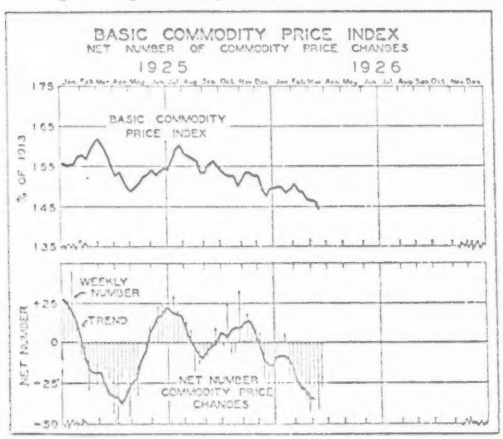
*Employment:*—A small increase in total factory employment over the previous month was reported for New England during February. Total employment in this month was just about equal to that of a year ago.

Massachusetts factories reported a substantial expansion in the number of workers on full time in February, as compared with January. In fact, the February figure showed the largest proportion of workers on full weekly schedules of any month during the past year.

Public employment offices in important Massachusetts industrial centers reported a small falling off in the demand for help during the early part of March, but the situation was somewhat better than a year ago.

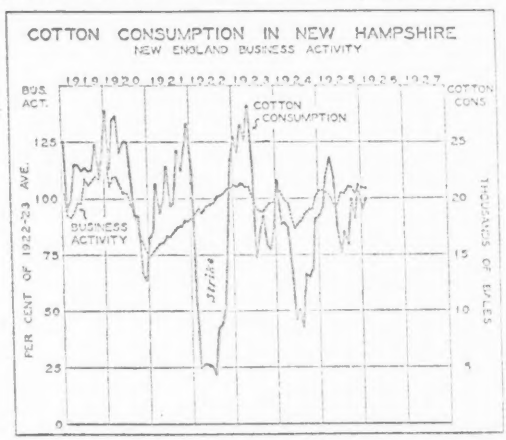
*Leather:*—Business in hide markets has been irregular recently, but on the whole has been up to average. Some further weakness has been evident in prices, but a firmer and more steady market has been gradually developing. The local leather market has been quiet and spotty. Prices, however, have been steady.

Output of boots and shoes by New England factories increased seasonally during February. Production was 12 per cent greater than in January, but three per cent under that of February, 1925. Production for the country as a whole




There still continues to be a large excess in the number of commodity prices declining, the lowest point since April, 1925, being reached during the last week of February.

*Sources of data—Federal Reserve Bank of New York and "Dun's Review."*




Although New England business activity declined slightly in February, as compared with the previous month, activity in the cotton textile industry of New Hampshire increased from January to February.

*Source of cotton data—Department of Commerce.*

...ased five per cent in February, but ran five per cent under the figures for February last year.

*Metals:*—Steel mills were reported to be operating at almost 90 per cent of capacity late in March, an increase over the activity of the previous month. Average daily output of pig iron was slightly less in February than in January, but considerably below the figures of February, 1925.

The New England pig iron and scrap markets were quiet during February and the early part of March. Prices of domestic pig iron have been weak lately, due in part to the competition with foreign iron.

*Paper:*—The situation in the paper manufacturing industry continues favorable. Production of practically all grades of paper has been well maintained in recent weeks, and orders and shipments have been of good volume. Shipments of news paper, as reported by the Manufacturers' Association, have been especially large, and, although production has been at a relatively high rate, stocks on hand at mills have gradually declined since the first of the year.

Prices of paper and paper products have on the whole been firm, but little change having been noted since the first of the year. Prices of old paper have been notably steady in recent months. (See chart.)

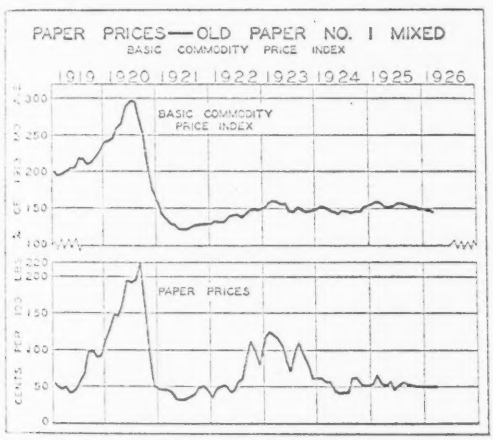
*Textiles:*—Average daily consumption of raw cotton by New England mills in February was in the largest volume since April last year. Considerable increase was made over January, but daily consumption averaged six per cent less than in February last year. Cotton consumption was below a year ago in all the New England states except New Hampshire. Cotton consumed by the mills of this state has increased gradually in late months. (See chart.)

The price of raw cotton declined sharply during the last week of February, but was steady during the first three weeks of March. The cotton goods market has been quiet in recent weeks. Business is reported to be on a hand-to-mouth basis, but, taken as a whole, the total volume of sales has been moderate. Prices have continued to decline steadily.

The local wool market was dull during February and the early part of March. Prices have fallen steadily since late in February, and by the third week of March were six per cent less than a month previous.

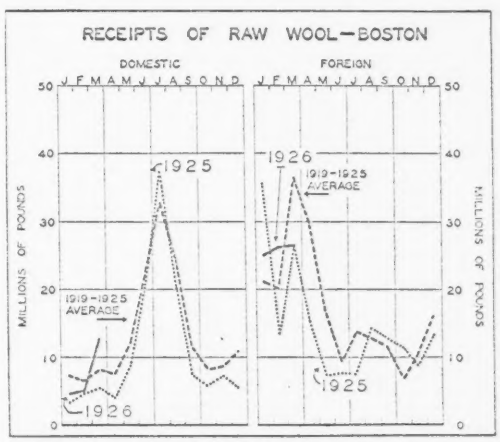
Total wool receipts at Boston in the first three months of this year have been about up to the average of the same period during the past seven years. During the greater part of 1925, receipts of both domestic and foreign wools ran below average. (See chart.)

Silk mills continue to operate at a relatively high rate. Business in finished fabrics has been fairly good this year, but recently a weak price situation in the raw material has had an unsettling influence. Raw silk prices declined sharply during March, falling about seven per cent during the first three weeks of the month.


PAPER PRICES—OLD PAPER NO. 1 MIXED
BASIC COMMODITY PRICE INDEX
1919 1920 1921 1922 1923 1924 1925 1926
BASIC COMMODITY PRICE INDEX
PAPER PRICES
CENTS PER CWT.

Although there has been no change in the price of old paper for nearly six months, the declining tendency during the last year and a half has corresponded to basic commodity prices in general.

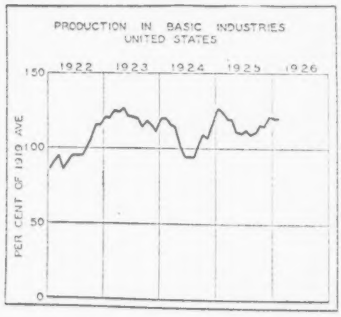
*Sources of data—Federal Reserve Bank of New York and "Dun's Review."*

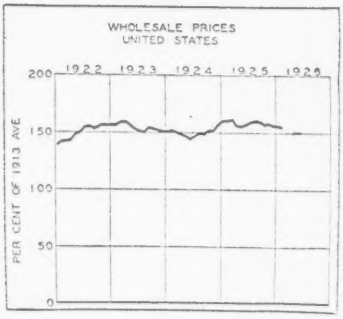


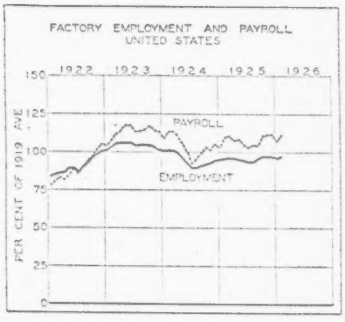

Receipts of domestic wool in Boston during March were much greater than in March last year or the average of the seven years ending in 1925. Receipts of foreign wool, on the other hand, were about equal to March last year, although below the seven-year average.

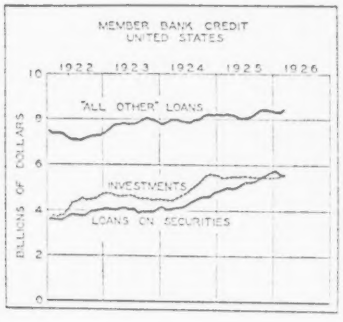
*Source of data—National Association of Wool Manufacturers.*

# SUMMARY OF BUSINESS CONDITIONS IN THE UNITED STATES




Production and trade continued in February at the high level of the preceding month, while the general average of prices declined, and was lower in February than at any time since the latter part of 1924.

*Production:*—The Federal Reserve Board's index of production in basic industries, which is adjusted for seasonal variation, indicated a continuation of productive activity during February in about the same volume as in the preceding two months.

Mill consumption of cotton and the output of flour, anthracite, copper and newsprint showed increases in February, when allowance is made for usual seasonal changes, and the output of iron and steel and lumber remained practically unchanged. Activity in the woolen industry and the production of cement declined. Automobile production was in considerably greater volume in February, and was larger than a year ago, although smaller than in the corresponding month of 1924. Employment and earnings of factory workers increased after the seasonal recession of January, and were in February at practically the same levels as during the latter part of 1925. The volume of building contracts awarded declined in both January and February, but remained larger than in the corresponding months of last year. Reports by farmers to the Department of Agriculture of intentions to plant in 1926 indicate that the acreage of spring wheat and tobacco will be slightly smaller, the acreage of corn will be about the same, and that of oats, barley, hay and potatoes larger than in 1925.

*Trade:*—Wholesale trade in February was in about the same volume as a year ago. A smaller volume of sales was reported for groceries, dry goods and hardware, while sales of meats, shoes and drugs were larger. Inventories of wholesale firms dealing in groceries, dry goods, shoes and hardware were smaller at the end of February than a year ago. Trade at department stores and mail order houses was larger than in February of last year, and department store stocks were about five per cent greater than on the corresponding date of 1925. Freight carloading continued at about the same daily rate in February as in the preceding two months. Shipments of merchandise in less than carload lots and of miscellaneous commodities were particularly large.

*Prices:*—The general level of wholesale prices, as measured by the Bureau of Labor Statistics index, after remaining unchanged for two months, declined in February to a point slightly below the low figure of 1925, reported for last May. The greater part of the decline since last autumn has been in prices of agricultural commodities. In February prices of all major groups of commodities except fuel declined, a particularly large reductions occurred in the prices of grains, cotton, wool, silk and rubber. Price advances in February were shown for petroleum, coke and paper. During the first three weeks of March, prices of grains, cotton, wool and silk continued to decline, and recessions were also reported in the prices of sugar and hardwood lumber.

*Bank Credit:*—At member banks in leading cities demand for loans, chiefly for commercial purposes, showed an increase, partly seasonal in character, between the middle of February and the middle of March, and on March 17 the total volume of these loans was close to the high point reached last autumn. A further decline of loans on securities, which accompanied the sharp recession in security prices in March, carried the total to a point nearly $430,000,000 below that reached at the end of the year. Following a growth during February in the volume of reserve bank credit outstanding, there was a sharp decline early in March to about the same level as a year ago. Factors contributing to the decline have been continued imports of gold and some reduction in member bank reserve requirements, as well as the temporary abundance of funds, resulting from the excess of Treasury disbursements over receipts around March 15.

Open market rates on prime commercial paper, after a slight decline in February, advanced in March to 4¼-4½ per cent, the level which had prevailed since last October.